

**NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OF THE FOLLOWING INFORMATION FROM THIS INSTRUMENT BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.**

## **PAID UP OIL AND GAS LEASE** (No Surface Use)

**THIS LEASE AGREEMENT** is made effective this 18<sup>th</sup> day of March, 2009, by and between **KERRY J. ENGELS and wife, JENNIFER ENGELS, 2204 Darla Court, Burleson, Texas 76028**, as Lessor, and **THUNDERBIRD OIL & GAS, L.L.C., 515 Fourth Street, Graham, Texas 76450**, as Lessee. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

1. In consideration of a cash bonus in hand paid and the covenants herein contained, Lessor hereby grants, leases and lets exclusively to Lessee the following described land, hereinafter called "leased premises," for the purpose of drilling beneath "using directional or horizontal drilling methods only" without exploring drilling, or operating on the surface of the leased premises. Said leased premises being described as follows:

All of that 1.490 acre tract or parcel of land, more or less, out of the Shelby County School Land Survey, Abstract No. 1375, Tarrant County, Texas, being Tract 18, of the Everman Industrial Park Addition, an addition to the City of Everman, Tarrant County, Texas, according to the plat filed of record at Volume 388-89, Page 2, of the Deed Records of Tarrant County, Texas, more fully described in that General Warranty Deed With Vendor's Lien dated October 27, 1999, from Conti Partners, LTD., a Texas limited partnership to Kerry J. Engels and Jennifer Engels, filed of record at Document Number 199273173 and at Volume 14077, Page 83, of the Official Public Records of Tarrant County, Texas;

in Tarrant County, Texas, containing 1.490 gross acres, more or less (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and non hydrocarbon substances produced in association therewith (~~including~~ excluding geophysical/seismic operations). The term "gas" as used herein includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. In addition to the above-described leased premises, this lease also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described leased premises, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalties hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

2. This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term of three (3) years from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be twenty-five percent (25%) of such production, to be delivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, provided that Lessee shall have the continuing right to purchase such production at the wellhead market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casinghead gas) and all other substances covered hereby, the royalty shall be twenty-five percent (25%) of the proceeds realized by Lessee from the sale thereof, less a proportionate part of ad valorem taxes and production, severance, or other excise taxes and the costs incurred by Lessee in delivering, processing or otherwise marketing such gas or other substances, provided that Lessee shall have the continuing right to purchase such production at the prevailing wellhead market price paid for production of similar quality in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) pursuant to comparable purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder; and (c) if at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith are capable of producing oil or gas or other substances covered hereby in paying quantities, but such well or wells are either shut-in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease. If for a period of 90 consecutive days such well or wells are shut-in or production therefrom is not being sold by Lessee, then Lessee shall pay shut-in royalty of fifty dollars per acre (\$50.00) then covered by this lease, such payment to be made to Lessor or to Lessor's credit in the depository designated below, on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut-in or production therefrom is not being sold by Lessee; provided that if this lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the leased premises or lands pooled therewith, no shut-in royalty shall be due until the end of the 90-day period next following cessation of such operations or production. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease.

4. All shut-in royalty payments under this lease shall be paid or tendered to Lessor or to Lessor's credit in at Lessor's address above or its successors, which shall be Lessor's depository agent for receiving payments regardless of changes in the ownership of said land. All payments or tenders may be made in currency, or by check or by draft and such payments or tenders to Lessor or to the depository by deposit in the U.S. Mail in a stamped envelope addressed to the depository or to the Lessor at the last address known to Lessee shall constitute proper payment. If the depository should liquidate or be succeeded by another institution, or for any reason fail or refuse to accept payment hereunder, Lessor shall, at Lessee's request, deliver to Lessee a proper recordable instrument naming another institution as depository agent to receive payments.

5. If Lessee drills a well which is incapable of producing in paying quantities (hereinafter called "dry hole") on the leased premises or lands pooled therewith, or if all production (whether or not in paying quantities) permanently ceases from any cause, including a revision of unit boundaries pursuant to the provisions of Paragraph 6 or the action of any governmental authority, then in the event this lease is not otherwise being maintained in force it shall nevertheless remain in force if Lessee commences operations for reworking an existing well or for drilling an additional well or for otherwise obtaining or restoring production on the leased premises or lands pooled therewith within 90 days after completion of operations on such dry hole or within 90 days after such cessation of all production. If at the end of the primary term, or at any time thereafter, this lease is not otherwise being maintained in force but Lessee is then engaged in drilling, reworking or any other operations reasonably calculated to obtain or restore production therefrom, this lease shall remain in force so long as any one or more of such operations are prosecuted with no cessation of more than 90 consecutive days, and if any such operations result in the production of oil or gas or other substances covered hereby, as long thereafter as there is production in paying quantities from the leased premises or lands pooled therewith. After completion of a well capable of producing in paying quantities hereunder, Lessee shall drill such additional wells on the leased premises or lands pooled therewith as a reasonably prudent operator would drill under the same or similar circumstances to (a) develop the leased premises as to formations then capable of producing in paying quantities on the leased premises or lands pooled therewith, or (b) to protect the leased premises from uncompensated drainage by any well or wells located on other lands not pooled therewith. There shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein.

6. Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The unit formed by such pooling for an oil well which is not a horizontal completion shall not exceed 80 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed three hundred and twenty (320) acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority, or, if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 100,000 cubic feet per barrel and "gas well" means a well with an initial gas-oil ratio of 100,000 cubic feet or more per barrel, based on 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment; and the term "horizontal completion" means an oil well in which the horizontal component of the gross completion interval in the reservoir exceeds the vertical component thereof. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit, but only to the extent such proportion of unit production is sold by Lessee. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern prescribed or permitted by the governmental authority having

jurisdiction, or to conform to any productive acreage determination made by such governmental authority. In making such a revision, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. In the absence of production in paying quantities from a unit, or upon permanent cessation thereof, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. Pooling hereunder shall not constitute a cross-conveyance of interests. None of the provisions herein shall prevent Lessor and Lessee from entering into a new agreement enlarging the size of any pooled unit.

7. If Lessor owns less than the full mineral estate in all or any part of the leased premises, the royalties and shut-in royalties payable hereunder for any well on any part of the leased premises or lands pooled therewith shall be reduced to the proportion that Lessor's interest in such part of the leased premises bears to the full mineral estate in such part of the leased premises.

8. The interest of either Lessor or Lessee hereunder may be assigned, devised or otherwise transferred in whole or in part, ~~by area~~ and/or by depth or zone, and the rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns. No change in Lessor's ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership shall be binding on Lessee until 60 days after Lessee has been furnished the original or certified or duly authenticated copies of the documents establishing such change of ownership to the satisfaction of Lessee or until Lessor has satisfied the notification requirements contained in Lessee's usual form of division order. In the event of the death of any person entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to the credit of decedent or decedent's estate in the depository designated above. If at any time two or more persons are entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to such persons or to their credit in the depository, either jointly or separately in proportion to the interest which each owns. If Lessee transfers its interest hereunder in whole or in part Lessee shall be relieved of all obligations thereafter arising with respect to the transferred interest, and failure of the transferee to satisfy such obligations with respect to the transferred interest shall not affect the rights of Lessee with respect to any interest not so transferred. If Lessee transfers a full or undivided interest in all or any portion of the area covered by this lease, the obligation to pay or tender shut-in royalties hereunder shall be divided between Lessee and the transferee in proportion to the net acreage interest in this lease then held by each.

Provided however any assignment that may be made by Lessee shall be as to the entire surface area of the leased premises, however this shall not prohibit Lessee from making assignments of undivided interests in and to the leased premises.

9. Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases all or an undivided interest in less than all of the area covered hereby, Lessee's obligation to pay or tender shut-in royalties shall be proportionately reduced in accordance with the net acreage interest retained hereunder.

10. ~~In exploring for, developing, producing and marketing oil, gas and other substances covered hereby on the leased premises or lands pooled or unitized herewith, in primary and/or enhanced recovery, Lessee shall have the right of ingress and egress along with the right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other similar facilities deemed necessary by Lessee to discover, produce, store, treat and/or transport production. Lessee may use in such operations, free of cost, any oil, gas, water and/or other substances produced on the leased premises, except water from Lessor's wells or ponds. In exploring, developing, producing or marketing from the leased premises or lands pooled therewith, the ancillary rights granted herein shall apply (a) to the entire leased premises described in Paragraph 1 above, notwithstanding any partial release or other partial termination of this lease; and (b) to any other lands in which Lessor now or hereafter has authority to grant such rights in the vicinity of the leased premises or lands pooled therewith. When requested by Lessor in writing, Lessee shall bury its pipelines below ordinary plow depth on cultivated lands. No well shall be located less than 200 feet from any house or barn now on the leased premises or other lands used by Lessee hereunder, without Lessor's consent, and Lessee shall pay for damage caused by its operations to buildings and other improvements now on the leased premises or such other lands, and to commercial timber and growing crops thereon. Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises or such other lands during the term of this lease or within a reasonable time thereafter.~~

11. Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction including restrictions on the drilling and production of wells, and the price of oil, gas, and other substances covered hereby. When drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this lease shall not terminate because of such prevention or delay, and at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any express or implied covenants of this lease when drilling, production or other operations are so prevented, delayed or interrupted.

12. In the event that Lessor, during the primary term of this lease, receives a bona fide offer which Lessor is willing to accept from any party offering to purchase from Lessor a lease covering any or all of the substances covered by this lease and covering all or a portion of the land described herein, with the lease becoming effective upon expiration of this lease, Lessor hereby agrees to notify Lessee in writing of said offer immediately, including in the notice the name and address of the offeror, the price offered and all other pertinent terms and conditions of the offer. Lessee, for a period of fifteen days after receipt of the notice, shall have the prior and preferred right and option to purchase the lease or part thereof or interest therein, covered by the offer at the price and according to the terms and conditions specified in the offer.

13. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default, within such period. In the event the matter is litigated and there is a final judicial determination that a breach or default has occurred, this lease shall not be forfeited or canceled in whole or in part unless Lessee is given a reasonable time after said judicial determination to remedy the breach or default and Lessee fails to do so.

14. ~~As to conveyances or encumbrances by, through, or under Lessor, but not otherwise, Lessor hereby warrants and agrees to defend title conveyed to Lessee hereunder, and agrees that Lessee at Lessee's option may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the leased premises. If Lessee exercises such option, Lessee shall be subrogated to the rights of the party to whom payment is made, and, in addition to its other rights, may reimburse itself out of any royalties or shut-in royalties otherwise payable to Lessor hereunder. In the event Lessee is made aware of any claim inconsistent with Lessor's title, Lessee may suspend the payment of royalties and shut-in royalties hereunder, without interest, until Lessee has been furnished satisfactory evidence that such claim has been resolved.~~

15. This lease shall also be subject to the terms and provisions of the attached Exhibit "A" which is incorporated herein by reference.

IN WITNESS WHEREOF, this lease is executed to be effective as of the date first written above, but upon execution shall be binding on the signatory and the signatory's heirs, devisees, executors, administrators, successors and assigns, whether or not this lease has been executed by all parties hereinabove named as Lessor.

LESSOR:

Kerry J. Engels

Jennifer Engels

STATE OF TEXAS

§

COUNTY OF TARRANT

§

ACKNOWLEDGMENT

ENGELS.

This instrument was acknowledged before me on the 18<sup>th</sup> day of March, 2009, by KERRY L. ENGELS and JENNIFER



Notary Public, State of Texas

## Exhibit "A"

Attached to and made a part of that Certain Oil and Gas Lease dated **March 18, 2009**, by and between, **KERRY J. ENGELS and JENNIFER ENGELS**, as Lessor and **THUNDERBIRD OIL & GAS, L.L.C.**, as Lessee, covering **1.490** acres, more or less, situated in the Shelby County School Land Survey, Abstract No. 1375, in Tarrant County, Texas.

In the event of conflict with the provisions of the standard form, then it is expressly understood, agreed and provided by and between Lessor and Lessee that the following terms, covenants, conditions, provisions, and limitations shall prevail and control over any other provisions in the Lease to the contrary, to wit:

1. **Covered Minerals Only.** It is understood and agreed that this lease covers and includes only oil and gas (including with oil and gas, all constituent elements thereof and all other liquid or liquefiable hydrocarbons and products of every kind or character derived therefrom and produced therewith collectively, "covered minerals"), and that all other minerals and substances of any other kind are excepted herefrom and reserved to Lessor.

2. **No Deduction on Expenses.** It is agreed between the Lessor and Lessee that, notwithstanding any language herein to the contrary, all oil, gas or other proceeds accruing to the Lessor under this lease or by state law shall be without deduction, directly or indirectly, for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and marketing the oil, gas and other products produced hereunder to transform the product into marketable form. Notwithstanding anything herein to the contrary, in no event shall the price received by Lessor be any more than or any less than the price received by Lessee.

3. **Pooling.** Notwithstanding anything herein to the contrary, should Lessee exercise its option under paragraph 6 of the oil and gas lease to unitize or pool this acreage for the production of oil, gas, or related substances, the entire tract must be included in the unit. No unit designation or instrument purporting to revise any unit designation pursuant to paragraph 6 of the lease shall be effective until recorded by Lessee in the Official Public Records of Tarrant County, Texas.

4. **No Surface Use.** By the acceptance hereof, Lessee agrees that no drilling, prospecting, or mining operations will be conducted, nor any pipelines or any structures or any type facilities will be constructed upon the surface of the leased premises without the consent of Lessor; but Lessee shall have the right to prospect, drill, mine, and produce said minerals from said land by operations which it may conduct under the leased premises and/or on the surface of adjoining or nearby lands through the drilling, operating, and maintaining of directional and/or horizontal wells on the surface of such adjoining or nearby lands, or by operations which it may conduct upon lands with which the leased premises may be pooled.

The only entry upon or access to the leased premises permitted by this lease is the subsurface penetration by the well bore or a well for the production of covered minerals from the leased premises or from land pooled therewith or pursuant to the right-of-way and easement as provided herein for the production of covered minerals. The penetration shall at all points be deeper than 200 foot below the surface of the leased premises.

5. **Easement.** Lessor does hereby grant, transfer and convey unto Lessee a right-of-way and easement to drill and operate under the surface of and through the lands described herein or any other land adjacent thereto, regardless of any depth limitations set out therein, one or more directional wells to be bottomed on lands other than the lands described herein, for the purpose of exploring, drilling mining and operating for, developing and producing oil, gas and associated hydrocarbons under the terms of any oil and gas leases(s) now owned or hereafter acquired by Lessee, covering lands other than the lands described herein and to take any and all other actions necessary or desirable in the rights granted herein. This right-of-way and easement shall remain in full force and effect for the primary term of this lease and as long thereafter as used by Lessee for the purposes herein granted. In the event Lessee utilizes the right-of-way and easement, then as to such wells, the well bore under the leased premises for any easement wells shall not be located in any strata, formations, or zones, from which oil or gas is produced and the well bore shall not be perforated under the leased premises for any such easement well bores.

6. **Shut-In Royalty.** Notwithstanding anything herein to the contrary herein contained, the payment of shut-in royalty as provided in paragraph 3 of the oil and gas lease, shall not maintain this lease in force by such payment alone for more than two (2) consecutive years beyond the primary term or any extension thereof.

7. **Insurance.** Lessee, at Lessee's own expense, will provide and maintain in force while any well is being drilled on the leased premises or on tracts with which the leased premises have been pooled, liability insurance in the amount of at least \$2,000,000.00 covering Lessor as well as Lessee, for any liability for property damage or personal injury arising as a result of Lessee's conducting operations. This insurance is to be carried by one or more insurance companies authorized to transact business in Texas. Lessee will furnish Lessor with certificates of all insurance required by this Lease.

8. **Indemnity.** LESSEE AGREES TO DEFEND, INDEMNIFY AND HOLD HARMLESS LESSOR, AND LESSOR'S PARTNERS, REPRESENTATIVES, SUCCESSORS AND ASSIGNS, AND THEIR OFFICERS, REPRESENTATIVES, EMPLOYEES, AND AGENTS, AGAINST ALL COSTS, EXPENSES, CLAIMS, DEMANDS, LIABILITIES, AND CAUSES OF ACTION OF ANY NATURE OR KIND, INCLUDING BUT NOT LIMITED TO CLAIMS FOR INJURY TO OR DEATH OF PERSONS AND LOSS OR DAMAGE TO PROPERTY, AND INCLUDING, WITHOUT LIMITATION, ATTORNEY FEES, EXPERT FEES, AND ALL COURT COSTS AND OTHER EXPENSES INCURRED, ARISING OUT OF, RESULTING FROM, OR IN ANY WAY CONNECTED WITH, LESSEE'S OPERATIONS AND ACTIVITIES ON THE LAND OR ANY ADJACENT OR POOLED LAND OR LESSEE'S MARKETING OF PRODUCTION FROM THE LAND OR ANY POOLED LAND OR ANY VIOLATION OF ANY ENVIRONMENTAL REQUIREMENTS IMPOSED ON LESSEE. AS USED IN THIS PARAGRAPH, THE TERM "LESSEE" INCLUDES LESSEE, ITS AGENTS, EMPLOYEES, SERVANTS, INDEPENDENT CONTRACTORS, AND ANY OTHER PERSON ACTING ON ITS BEHALF OR UNDER ITS DIRECTION AND CONTROL, WHETHER ACTING WITHIN THE SCOPE OF THEIR EMPLOYMENT OR NOT, AND WHETHER NEGLIGENT OR NOT.

9. **Regulatory Compliance.** Lessee must comply with all valid laws, ordinances and regulations, whether state, federal or municipal, applicable to the premises. The use which lessee makes and intends to make of the premises will not result in the disposal or release of any hazardous substance or solid waste on or to the premises. In the event that any hazardous substances, solid wastes or other pollutants are disposed or released on and/or under the premises resulting in the contamination or pollution to the premises or any adjoining property, arising out of said contamination or pollution, caused by or consented to by the lessee, then lessee shall indemnify and hold harmless the lessor and lessor's heirs, executors, administrators, successors, and assigns, from and against any and all liability from the rules and regulations of the Texas Railroad Commission, the comprehensive environmental response, compensation, and liability act of 1980, the resource conservation and recovery act of 1976, or any other state or federal statute, rule or regulation now in existence or hereinafter enacted relating to such substances or waste and lessee has the absolute responsibility for all cleanup of said pollution or contamination or reclamation of the premises and all costs and expenses thereof. Lessee shall conduct all activities so as not to pollute or contaminate all fresh water sources including adjacent or nearby lakes and streams.

In the event that the leased premises are subject to covenants, deed restrictions, drilling ordinances, permit requirements from any authority, or any other impediment that would not permit directional or horizontal drilling methods from a location outside the leased premises or on additional tracts with which the Leased premises are pooled, then Lessor hereby consents to and irrevocably designates Lessee as Lessor's agent to acquire permits and/or take steps to amend, modify or change any covenants, deed restrictions, or remove any other impediment using lawful means so as to allow directional or horizontal drilling methods from locations outside the leased premises. Lessor further agrees to allow a high impact drilling permit in the event that one is required to develop the mineral rights, and authorizes Lessee to represent to any authority that such consent has been granted. Lessee shall be responsible for all cost and expense securing any such change and shall hold harmless and indemnify Lessor from any claims and expense incurred in securing any amendment, change, modification or permit.

10. **Streets, Roads etc. Included.** The leased premises includes all of Lessor's interest in and to the adjacent roads, streets, alleys, any easements, rights of way, tracts held in common and any other adjacent or nearby tracts of land in which Lessor holds an interest in the oil and gas.

11. **Force Majeure.** Lessee's obligations under this Lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction, including environmental regulations, setback requirements, restrictions on the drilling and production of wells, and the price of oil, gas and other substances covered hereby. To the extent any such laws, rules, regulations or orders are less restrictive than the terms of this Lease, this Lease shall control. When drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this Lease shall not terminate because of such prevention or delay. Lessee shall not be liable for breach of any express or implied covenants of this Lease when drilling, production or other operations are so prevented, delayed or interrupted.

In the event Lessee should claim the benefit of the force majeure provisions of the Lease, Lessee shall promptly provide written notice of such claim to Lessor providing reasonably full particulars thereof to apprise Lessor of the basis of such claim. Further, the benefits of said provisions shall only be available when the "force majeure" claimed by Lessee is the proximate cause of the prevention or delay, and only so long as Lessee is using reasonable efforts exercised in good faith to remedy or eliminate the "force majeure" so claimed. It is provided, however, that at no time shall Lessee be relieved from the timely payment of all money due Lessor pursuant to the terms of the Lease and provided further that in no event shall the Lease be extended under the terms of the force majeure provisions of the Lease for a cumulative period exceeding twelve (12) months. The force majeure provisions of the Lease shall not apply to any constraint which results from the negligence or malfeasance of or violation of any law or regulation by Lessee or its agents, employees, contractors, or subcontractors.

12. **Noise.** Noise levels associated with Lessee's operations related to the drilling, completion and reworking of wells shall be kept to a reasonable minimum, taking into consideration reasonably available equipment and technology in the oil and gas industry, the level and nature of development and surface use elsewhere in the vicinity of Lessee's drill sites and the fact Lessee's operations are being conducted in or near an urban area. If Lessee utilizes any non-electric-powered equipment in its operations, Lessee shall take reasonable steps to muffle the sound therefrom by installing a noise suppression muffler or like equipment.

13. **Option to Extend.** Lessee is hereby given the option to extend the primary term of this lease for an additional one (1) year from the expiration of the original primary term. This option may be exercised by Lessee or Lessee's assigns at any time during the last year of the original primary term by paying to Lessor herein, or his heirs, successors or assigns, an additional bonus equal to eighty five hundred (\$8,500.00) dollars per net mineral acre covered by this Lease. Lessee or Lessee's assigns shall exercise such option by placing written notice of such action in the U.S. Mail, postage prepaid, to Lessor at the above address, or by delivery of such notice to Lessor, in either case, prior to the end of the primary term hereof along with payment.

14. **Oil and Gas Only.** It is understood and agreed that this lease covers and includes only oil and gas (including with oil and gas, all constituent elements thereof and all other liquid or liquefiable hydrocarbons and products of every kind or character derived therefrom and produced therewith collectively, "covered minerals"), and that all other minerals and substances of any other kind are excepted herefrom and reserved to Lessor.

15. **Additional Acreage Payment.** The provisions of this lease include as part of the leased premises, accretions, small strips or parcels, and interest acquired hereafter by reversion, prescription, or otherwise. In the event the net mineral acres covered by this lease as part of the leased premises are more than the number of acres described herein, then Lessor shall be entitled to an additional bonus for any such additional acreage and the royalty shall be computed accordingly.

16. **Royalty.** All royalty due and payable under the terms and provisions of this Lease shall be paid to Lessor within ninety (90) days from the first day of the month after first production and, thereafter, within thirty (30) days of the end of the month in which such production is produced. All payments or tenders (including shut-in royalties) shall be made by check, and such payments or tenders to Lessor by deposit in the U. S. Mail in a stamped envelope addressed to the Lessor at the last address known to Lessee shall constitute proper payment. In addition, Lessor retains and reserves a lien that may be foreclosed upon judicially against this lease to secure the payment of all unpaid royalties and shut-in royalty which may be due and payable. As to any such royalties and unpaid shut-in royalties, Lessee shall pay interest at the maximum rate permitted by law on all unpaid royalties and shut-in royalties. Lessor shall also be entitled to recover from Lessee, if the Lessor is a prevailing party in a court proceeding, all reasonable and necessary attorney's fees and costs incurred by Lessor in collecting any such unpaid royalties. Acceptance by Lessor of royalties which are past due or paid improperly shall not act as a waiver or estoppel of any of Lessor's rights under this paragraph or any other paragraph of this lease unless the written acceptance by Lessor to Lessee expressly so provides. Any tender or payment to Lessor of a sum less than the total amount due Lessor hereunder which is made or intended to be made as an offer of settlement or in accord and satisfaction by or on behalf of Lessee must be accompanied by a notice of settlement offer, so denominated, addressed to Lessor. Lessee further agrees to be solely responsible for the payment of royalties as provided for herein. Lessee agrees that all royalty payments shall be made by the operator unless specifically agreed to otherwise by Lessor in writing.

17. **Affiliate Sales.** So long as Lessee enters into a bona fide arms-length contract or arrangement with a person, firm, corporation, or other entity which is not an affiliate of Lessee such transaction shall be deemed to be at arms length. An "affiliate" includes, but is not limited to, the parent company or a subsidiary of Lessee, a corporation or other entity having common ownership with Lessee, a partner or joint venturer of Lessee, a corporation or other entity in which Lessee owns (either directly or indirectly) a ten percent (10%) or greater interest, or any individual, corporation or other Lessee, entity that owns, either directly or indirectly, a ten percent (10%) or greater interest in Lessee, for the sale, delivery, transportation and/or processing of covered minerals from the leased premises or land pooled therewith, and/or for marketing and/or processing in a liquid extraction unit or plant or plants for the extraction, absorption, separation or recovery of liquids and/or liquefiable hydrocarbons therefrom. In the event of a sale to a Lessee affiliate, Lessor shall be entitled to twenty five percent (25%) of all products, monies, and other things of value of any kind and character, received by such affiliate pursuant to the contract or arrangement pursuant to which the covered minerals are sold. In no event however, shall the royalty received by Lessor be based upon a sales price less than the higher of the (i) market value of the product sold or to (ii) the price received by the Lessee affiliate at the time of the sale by such affiliate to an unaffiliated third party.

18. **Shut-in Limitation.** Once the Lessee relies on the shut-in royalty provisions of Paragraph 3 to maintain the Lease for an initial one year (1) period, such provisions shall again be available to Lessee only after the reestablishment of actual production from the lease premises or from lands with which the leased premises are pooled. In the event actual production does not occur after the initial shut-in one year (1) period then this lease shall terminate.

Payment of such Shut-in Royalties shall not discharge Lessee's obligation to pay royalty on actual production during any period, nor shall the provisions of Paragraph 3 of the Lease discharge Lessee's obligation to act as a reasonable and prudent operator and to make reasonable efforts to market production.

19. **Additional Prorated Bonus.** In the event operations are being conducted upon the expiration of the initial two year (2) primary term and this Lease is continued under the other provisions of this Lease by reason of such operations then Lessee shall pay to Lessor an additional bonus prorated for each of the months that operations are being conducted prior to the completion of the initial well.

20. **Depth Limitation.** Notwithstanding anything in this Lease to the contrary, upon the expiration of the primary term and any continuous drilling operations, and from time to time thereafter, this Lease shall expire as to all depths one hundred feet (100ft) below the base of the deepest formation then producing covered minerals in paying quantities or "shut-in" but with a well capable of producing in paying quantities.

21. **No Warranties.** Lessee hereby acknowledges that Lessor enters into the Lease without warranties or representations of title, ownership or control of the leased premises, either express or implied without recourse against Lessor except by through or under Lessor and not otherwise. However, if Lessor owns less than the full mineral estate in all or any part of the leased premises, the royalty payment and any other payment herein provided may be reduced proportionately to the lesser interest of Lessor.

22. **Division Orders.** No Division Order or other instrument of any kind executed by Lessor shall in any way alter or amend the provisions of the Lease unless such instrument is specifically designated as an amendment to the Lease and is executed by both the Lessor and Lessee. Should any Division Order or other instrument be executed which is not specifically designated as an amendment to the Lease, but whose provisions are in conflict with any of the provisions of the Lease, the provisions of the Lease shall control.

23. **Notice.** Any notice or other communication permitted or required under the terms of this Lease shall be in writing and, unless otherwise specified, be deemed properly given on the date personally delivered, or on the date postmarked, if mailed, postage prepaid, United States Mail, addressed to Lessor or Lessee at the address set forth above, or to other such address as may hereafter be designated by either party to the other by notice. Notice given in any other manner shall be effective only if and when received.

24. **Recordation of Release Upon Termination.** Upon expiration or termination of the Lease for any reason, Lessee shall be obligated at its expense to within thirty (30) days, prepare, execute and file in the public records in the county in which the leased premises are located an appropriate release instrument covering all of the leased premises, and to forward a true and correct copy of the recorded release or a certified copy of the release to Lessor.

25. **Records.** During the term of the Lease and for a period of twelve (12) months thereafter, Lessee shall, upon written request by Lessor, furnish at its expense the following information and/or documents to Lessor regarding any well drilled on the leased premises: (1) any location plat filed with regulatory authorities, (2) copies of title opinions and division order title opinions when and if they are prepared, (3) a copy of the completion report filed with the state agency for any well drilled, (4) a copy of any report filed with regulatory authorities evidencing that any well drilled under the terms of the Lease has been plugged and abandoned, and (5) a copy of all surveys. Lessor or its authorized representative shall have the right to, at reasonable times, review and audit Lessee's non-confidential records regarding its activities pursuant to the Lease.

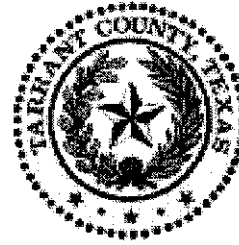
26. **Multiple Counterparts.** This instrument may be executed in multiple counterparts which shall be constructed together as a single instrument as though all parties had signed one (1) instrument and, when executed, each counterpart shall be binding upon and inure to the benefit of the parties executing the same, and their respective heirs, successors and assigns.

SIGNED FOR IDENTIFICATION:

Kerry L. Engels

Jennifer Engels

End of Exhibit "A"



THUNDERBIRD OIL & GAS LLC'  
515 FOURTH ST

GRAHAM TX 76450

Submitter: THUNDERBIRD OIL & GAS LLC'

---

SUZANNE HENDERSON  
TARRANT COUNTY CLERK  
TARRANT COUNTY COURTHOUSE  
100 WEST WEATHERFORD  
FORT WORTH, TX 76196-0401

**DO NOT DESTROY**  
**WARNING - THIS IS PART OF THE OFFICIAL RECORD.**

Filed For Registration: 04/02/2009 01:21 PM  
Instrument #: D209087687  
LSE 5 PGS \$28.00

By:  \_\_\_\_\_



**D209087687**

ANY PROVISION WHICH RESTRICTS THE SALE, RENTAL OR USE  
OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR  
RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

Printed by: CN